

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6608

BILL NUMBER: SB 399

NOTE PREPARED: Dec 30, 2012

BILL AMENDED:

SUBJECT: LOIT for Early Childhood Education.

FIRST AUTHOR: Sen. Eckerty

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill establishes the Early Childhood Education Income Tax (ECEIT). The ECEIT is a local option income tax (LOIT) enacted to develop and fund early childhood education programs. The ECEIT tax rate shall be set by the county council, or other local fiscal body, at 0.1% increments not to exceed 1% on the adjusted gross income of resident county taxpayers.

The bill provides that the ECEIT shall be enacted in a county through a general election referendum. It specifies that such a referendum may be initiated by the county council or by a petition filed by voters. The bill provides that if such a referendum is approved, the county council may impose an ECEIT. If the referendum is disapproved, the local fiscal body may not establish an ECEIT, and the question may not be placed on the ballot for two years.

This bill requires a county's certified distribution of ECEIT revenue (as determined by the State Budget Agency) to be distributed monthly to the county treasurer for deposit in a dedicated fund. It specifies that, subject to appropriation by the county council, the tax revenue may be used only for one or more of the following purposes:

- Acquire or construct a facility that is or will be used for early childhood education.
- Pay the operation or maintenance expenses of a facility that is used for early childhood education.
- Pay the salaries of teachers that provide instruction for early childhood education.
- Purchase instructional materials and educational technology that are used for early childhood education.
- Provide grants to any school, school corporation, or other entity for any of these purposes.

Effective Date: July 1, 2013.

Explanation of State Expenditures: *Department of State Revenue (DOR):* The DOR will incur additional expenses to revise forms, update instructions, and modify software programs to collect the ECEIT revenue for counties. The DOR has experience with similar LOITs, and their current level of staff and resources should be sufficient to implement the provisions of the bill.

State Budget Agency (SBA): The SBA shall be required to monthly distribute ECEIT money to the appropriate counties. The distribution shall be based on an annual certification of county ECEIT revenue conducted before August 2 of any given year. In addition, the SBA shall provide reports and distribution estimates to ECEIT counties, and they may be required to provide supplemental distributions if the balance in a county's account exceeds 150% of the certified distributions to be made in the ensuing year. The SBA has prior expertise in administering LOITs. Their current level of staff and resources should be sufficient to perform the duties specified in the bill.

Explanation of State Revenues:

Explanation of Local Expenditures: Counties that impose an ECEIT will incur additional expenses to oversee the ECEIT fund, and they may incur additional expenses to place the referendum on the general election ballot. If the voters petition for the public referendum, the county auditor must certify the petition to the county election board. The county election board must place the public question on the ballot for the first regularly scheduled general election at least 60 days after they receive the petition. The various county officials should have sufficient resources to implement an ECEIT, or they will acquire the additional resources as they deem necessary.

Explanation of Local Revenues: *Summary-* This bill allows a county to authorize an ECEIT through a public referendum. If the referendum is approved, the local fiscal body may establish an ECEIT levied on the adjusted gross income of resident county taxpayers. The ECEIT rate may range between 0.1% to 1.0% at 0.1% intervals. The revenue collected through an ECEIT depends on the income of the county residents and the tax rate set by the local fiscal body. The estimates below assume that a county will enact an ECEIT before October 1, 2014, and they will begin receiving revenue in 2015. The table below contains full-year ECEIT estimates at the maximum 1% tax rate for each county.

CY 2015 Estimated ECEIT Revenue at a 1% Tax Rate by County					
County	ECEIT Estimate	County	ECEIT Estimate	County	ECEIT Estimate
Adams	\$5,935,395	Hendricks	\$39,693,635	Pike	\$2,717,343
Allen	\$79,473,572	Henry	\$8,033,218	Porter	\$45,802,022
Bartholomew	\$19,219,345	Howard	\$14,819,679	Posey	\$6,191,919
Benton	\$1,735,568	Huntington	\$6,626,382	Pulaski	\$2,895,097
Blackford	\$1,935,574	Jackson	\$7,693,309	Putnam	\$6,029,882
Boone	\$22,488,821	Jasper	\$6,909,416	Randolph	\$4,124,493
Brown	\$2,791,403	Jay	\$3,102,559	Ripley	\$5,472,695

CY 2015 Estimated ECEIT Revenue at a 1% Tax Rate by County					
County	ECEIT Estimate	County	ECEIT Estimate	County	ECEIT Estimate
Carroll	\$4,142,545	Jefferson	\$5,870,655	Rush	\$2,322,848
Cass	\$6,187,975	Jennings	\$4,181,092	Scott	\$3,382,246
Clark	\$21,709,161	Johnson	\$35,125,506	Shelby	\$8,448,916
Clay	\$4,484,928	Knox	\$7,078,341	Spencer	\$4,272,839
Clinton	\$5,613,822	Kosciusko	\$15,053,882	St. Joseph	\$51,480,058
Crawford	\$1,460,860	LaPorte	\$20,372,844	Starke	\$3,443,474
Daviess	\$5,723,295	Lagrange	\$4,744,044	Steuben	\$6,801,286
DeKalb	\$7,763,036	Lake*	\$92,436,348	Sullivan	\$3,615,466
Dearborn	\$10,981,667	Lawrence	\$7,568,677	Switzerland	\$1,405,434
Decatur	\$4,859,874	Madison	\$20,744,126	Tippecanoe	\$32,900,344
Delaware	\$17,517,115	Marion	\$172,711,078	Tipton	\$3,386,026
Dubois	\$11,863,581	Marshall	\$8,090,857	Union	\$1,264,386
Elkhart	\$30,822,666	Martin	\$1,896,667	Vanderburgh	\$35,195,573
Fayette	\$3,148,379	Miami	\$5,335,057	Vermillion	\$3,003,191
Floyd	\$17,827,459	Monroe	\$26,266,841	Vigo	\$17,865,066
Fountain	\$3,473,869	Montgomery	\$6,580,594	Wabash	\$5,381,559
Franklin	\$4,427,917	Morgan	\$14,315,248	Warren	\$1,961,890
Fulton	\$3,657,914	Newton	\$3,057,237	Warrick	\$17,242,045
Gibson	\$7,303,115	Noble	\$7,966,261	Washington	\$4,128,021
Grant	\$10,583,574	Ohio	\$1,123,687	Wayne	\$10,414,722
Greene	\$5,414,309	Orange	\$2,683,087	Wells	\$5,115,947
Hamilton	\$119,425,068	Owen	\$3,279,979	White	\$4,952,705
Hancock	\$17,869,560	Parke	\$2,512,942	Whitley	\$6,902,409
Harrison	\$7,747,536	Perry	\$3,126,641		
Estimates are based on the SBA 2013 LOIT certifications and county real personal income forecasts provided by Global Insights, Inc.					
* The Lake County estimate is based on the LOIT potential because they currently do not have a LOIT.					

Additional Information- A county council can only establish an ECEIT if the county residents authorize the tax through a referendum on a general election ballot. The referendum can be initiated by either the local fiscal body or a petition from county residents. The disapproval of the referendum stops the establishment of an ECEIT and prohibits the issue from appearing on the ballot for two years. The approval of the referendum enables the local fiscal body to impose the tax, increase the rate, decrease the rate, or rescind the tax without any further referendums. If the local fiscal body enacts an ECEIT in the immediate months following the referendum, the ECEIT will go into effect on October 1 of the year the ECEIT was adopted. They should begin

receiving ECEIT money based on certified distributions from the SBA beginning in January of the next calendar year.

The bill states that ECEIT revenue can only be used for early childhood education programs. The bill defines early childhood education programs as a program or activity provided to children under the age of five intended to contribute to the readiness of formal schooling or improving school performance in later years. The bill provides specific uses of the funds. It would allow a local government to either operate their own early childhood education program or to provide grants to local schools to implement a qualified program.

State Agencies Affected: Department of State Revenue; State Budget Agency; Auditor of State; Treasurer of State.

Local Agencies Affected: Counties.

Information Sources: LSA 1% LOIT Estimates, November 2012.

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